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GENERAL

1. Views on Chinese Communist recognition--US Ambassador Kirk in Moscow expresses the view that US long range interests would best be served by early recognition of the Chinese Communist regime. Kirk points out that the US cannot exploit the Chinese situation without representatives actually in the country and that the USSR prefers that the US delay recognition until a dependable local Communist regime and an efficient secret police system have been established. Kirk adds that it would be highly dangerous for the western world to split over the issue of recognition and considers concerted action by the US and UK to be highly advisable. In recommending early recognition of the Communist regime, however, Kirk emphasizes that the question of recognition be clearly separated from that of trade policy and that no steps be taken to lessen the burden of the USSR in meeting China's desperate need for outside assistance. Meanwhile, Kirk opposes any US action to strengthen the Nationalist regime on Taiwan on the grounds that such action would preclude the establishment of relations with the Peiping regime and would cause a strong adverse reaction in Southeast Asia.

2. UK to grant de facto recognition to Vietnam--According to US Embassy London, the British Foreign Office has informed the French that the UK has decided to accord de facto recognition to the Bao Dai regime in Indochina after the Colombo Conference and that Bevin will appeal to the Commonwealth Foreign Ministers there to follow the UK's example. The Foreign Office explained that UK recognition before the Conference might cause those Commonwealth governments inclined to withhold recognition to "harden their attitude."

State Dept. review completed

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EUROPE

4. SPAIN: Implications of denial of Argentine wheat--The Spanish Minister of Industry and Commerce has informed US Representative Culbertson in Madrid that Argentina has cancelled its wheat agreements with Spain and that Spain must now turn elsewhere for substantial imports of wheat. Culbertson expresses the opinion that although the Minister overestimates Spain's import requirements, Spain would be forced, unless it received US aid, to draw further on its meager gold reserves, with serious economic consequences. Culbertson recommends that the US make a determined effort to enable Spain to solve its difficulties without using its gold reserves. In the absence of such an effort, Culbertson believes that by accusing the US of refusing to aid the Spanish people, the Franco regime would strengthen its internal position and weaken US influence.

(CIA Comment: CIA agrees that the Spanish Minister overestimates Spain's wheat needs, but doubts that Franco's internal position would be strengthened in the event of serious economic difficulties.)

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